

## **FEDERAL RESERVE SYSTEM**

**Agency Information Collection Activities:** Submission for OMB review; comment request

**AGENCY:** Board of Governors of the Federal Reserve System (Board)

**ACTION:** Notice of information collection to be submitted to OMB for review and approval under the Paperwork Reduction Act of 1995.

**SUMMARY:** In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35), the Board, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) (the "agencies") may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Board hereby gives notice that it plans to submit to the Office of Management and Budget (OMB) on behalf of the agencies a request for review of the information collection described below. The agencies may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

On December 9, 2002, the agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), requested public comment for 60 days on the revision, without extension, of the currently approved information collection: the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002). The comment period expired February 7, 2003

**DATES:** Comments must be submitted on or before April 4, 2003.

**ADDRESSES:** Interested parties are invited to submit written comments to the agency listed below. All comments, which should refer to the OMB control number, will be shared among the agencies. Written comments, which should refer to the "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, 7100-0032," should be addressed to Ms. Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551. Due to temporary disruptions in the Board's mail service, commenters are encouraged to submit comments by electronic mail to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov), or fax them to the Office of the Secretary at (202) 452-3819 or (202) 452-3102. Comments addressed to Ms. Johnson may also be delivered to the Board's mailroom between 8:45 a.m. and

5:15 p.m. weekdays, and to the security control room outside those hours. Both the mailroom and the security control room are accessible from the Eccles building courtyard entrance on 20th Street between Constitution Avenue and C Street, NW. Comments may be inspected in room M-P-500 between 9 a.m. and 5 p.m. on weekdays pursuant to sections 261.12 and 261.14 of the Board's Rules Regarding Availability of Information, 12 CFR 261.12 and 261.14.

**FOR FURTHER INFORMATION CONTACT:** A draft copy of the proposed FFIEC 002 reporting form may be obtained at the FFIEC's web site ([www.ffiec.gov](http://www.ffiec.gov)). A copy of the proposed revisions to the collection of information may also be requested from Cindy Ayouch, Board Clearance Officer, (202) 452-3829, Division of Research and Statistics, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may call (202) 263-4869.

**SUPPLEMENTARY INFORMATION:** Proposal to revise the following currently approved collection of information:

*Report Title:* Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks.

*Form Number:* FFIEC 002.

*OMB Number:* 7100-0032.

*Frequency of Response:* Quarterly.

*Affected Public:* U.S. branches and agencies of foreign banks.

*Estimated Number of Respondents:* 295.

*Estimated Total Annual Responses:* 1,180.

*Estimated Time per Response:* 22.50 burden hours.

*Estimated Total Annual Burden:* 26,550 burden hours.

### **General Description of Report**

This information collection is mandatory: 12 U.S.C. 3105(b)(2), 1817(a)(1) and (3), and 3102(b). Except for select sensitive items, this information collection is not given confidential treatment (5 U.S.C. 552(b)(8)). Small businesses (that is, small U.S. branches and agencies of foreign banks) are affected.

## **Abstract**

On a quarterly basis, all U.S. branches and agencies of foreign banks (U.S. branches) are required to file detailed schedules of assets and liabilities in the form of a condition report and a variety of supporting schedules. This information is used to fulfill the supervisory and regulatory requirements of the International Banking Act of 1978. The data are also used to augment the bank credit, loan, and deposit information needed for monetary policy and other public policy purposes. The Federal Reserve System collects and processes this report on behalf of all three agencies.

## **Current Actions**

The agencies did not receive any comments in response to the notice published in the Federal Register on December 9, 2002 (67 FR 72951) requesting public comment to revise this currently approved information collection.

The revisions to the FFIEC 002 summarized below have been approved by the FFIEC. The agencies will implement these changes as of the March 31, 2003, reporting date. The revisions will improve the agencies' ability to analyze the risks and activities of branches and agencies and achieve consistency with the Reports of Condition and Income (Call Report) (forms FFIEC 031 and 041) filed by insured commercial banks and FDIC-supervised savings banks.

## **Schedule RAL—Assets and Liabilities**

1. Splitting item 1.c(2), "Mortgage-backed securities," into separate items 1.c(2)a "Issued or guaranteed by U.S. Government agencies" and 1.(c).2b "Other."

The breakdown will provide information on the composition of mortgage-backed securities held by branches and agencies, which will enter into the derivation of weekly bank credit data used by the Board for monetary policy purposes.

2. Splitting item 1.d., "Federal funds sold and securities purchased under agreements to resell" into separate items 1.d.(1), "Federal funds sold," 1.d.(1)a, "With depository institutions in the U.S.," 1.d.(1)b, "With others," and 1.d.(2), "Securities purchased under agreements to resell," 1.d.(2)a, "With depository institutions in the U.S.," 1.d.(2)b, "With others." The breakdown will provide greater insight into the liquidity of branches and agencies. These institutions actively participate and often hold large positions in the federal funds and repurchase agreement market. The separation will also achieve

consistency with the existing Reports of Condition and Income (Call Report) because insured commercial banks and FDIC-supervised savings banks currently report federal funds sold separately from securities purchased under agreements to resell.

3. Splitting item 4.b., “Federal funds purchased and securities sold under agreements to repurchase” into separate items 4.b.(1), “Federal funds purchased,” 4.b.(1)a, “With depository institutions in the U.S.,” 4.b.(1)b, “With others” and 4.b.(2), “Securities sold under agreements to repurchase,” 4.b.(2)a, “With depository institutions in the U.S.,” 4.b.(2)b, “With others.” The rationale for this change, which deals with a funding source for branches and agencies, is essentially the same as the justification above for splitting “Federal funds sold and securities purchased under agreements to resell”.
4. Splitting item 1.f, “Trading Assets,” into separate items 1.f(1), “U.S. Treasury and Agency Securities” and 1.f(2), “Other trading assets.” The breakdown will provide information on the composition of the trading assets of branches and agencies, which will enter into the derivation of weekly bank credit data used by the Board for monetary policy purposes. On November 8, 2002, the agencies published a notice soliciting comments for 60 days on proposed revisions to the Reports of Condition and Income (Call Report) (67 FR 68234). The notice includes a proposed clarification to the “Trading Account” Glossary entry on when loans can be designated as trading assets. Accordingly, the agencies are proposing the same clarification for the FFIEC 002 “Trading Account “ Glossary entry to achieve consistency with the changes to the Call Report.

#### **Schedule L—Derivatives and Off-Balance-Sheet Items**

1. Adding Memoranda items 1.a., “Gross positive fair value,” and 1.b., “Gross negative fair value” to Memoranda item 1., “Notional amount of all credit derivatives on which the reporting branch or agency is the guarantor.” The new items will provide a better measure of credit and market risk, particularly for branches and agencies with large positions in credit derivatives. These new items will also achieve consistency with the existing Reports of Condition and Income (Call Report) filed by insured commercial banks and FDIC-supervised savings banks.

2. Adding Memoranda items 2.a., “Gross positive fair value,” and 2.b., “Gross negative fair value” to Memoranda item 2., “Notional amount of all credit derivatives on which the reporting branch or agency is the beneficiary.” The rationale for the change is the same as the justification above for adding items to Memoranda item 1.

#### **Schedule O – Other Data for Deposit Insurance Assessments**

Modifying the captions for Memorandum items 1.a., “Deposit accounts of \$100,000 or less,” and 1.b., “Deposit accounts of more than \$100,000,” to reflect the deposit insurance limits in effect on the report date that are to be used as the basis for reporting the number and amount of deposit accounts in Memorandum item 1. Memorandum item 1, collects information on the number and amount of deposit accounts of (a) \$100,000 or less and (b) more than \$100,000. This information provides the basis for calculating "simple estimates" of the amount of insured and uninsured deposits. The captions for these memorandum items explicitly refer to \$100,000, which is the current deposit insurance limit. Given the purpose of these memorandum items, the dollar amount cited in the caption will be changed if the deposit insurance limit were to change. The revision will ensure that such a change occurs automatically as a function of the deposit insurance limit in effect on the report date.

#### **Schedule S – Securitization and Asset Sale Activities**

Splitting item 2.b., “Standby letters of credit, subordinated securities, and other enhancements,” into two items, one for securitization credit enhancements that are on-balance sheet assets and another for other credit enhancements. This will be accomplished by adding a new item 2.c., "Standby letters of credit and other enhancements," where branches and agencies will disclose the unused portion of standby letters of credit and the maximum contractual amount of recourse or other credit exposure not in the form of an on-balance sheet asset that has been provided or retained in connection with the securitization structures reported in item 1 of Schedule S. This revision will enable the agencies to better understand the types of credit support that branches and agencies are providing to their securitizations, including which types are typically used for different types of securitized loans. The revisions will also achieve consistency with the changes to the Reports of Condition and Income (Call Report) filed by insured commercial banks and FDIC-supervised savings banks.

**Request for Comment**

Comments submitted in response to this Notice will be shared among the agencies and will be summarized or included in the Board's request for OMB approval. All comments will become a matter of public record. Written comments should address the accuracy of the burden estimates and ways to minimize burden as well as other relevant aspects of the information collection requests. Comments are invited on:

- (a) Whether the proposed collection of information is necessary for the proper performance of the agencies' functions, including whether the information has practical utility;
- (b) The accuracy of the agencies' estimate of the burden of the information collection, including the validity of the methodology and assumptions used;
- (c) Ways to enhance the quality, utility, and clarity of the information to be collected;
- (d) Ways to minimize the burden of the information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- (e) Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

Board of Governors of the Federal Reserve System, February 27, 2003.

/signed/

Jennifer J. Johnson  
Secretary of the Board.